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CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE

DAILY DIGEST

Date: JUN 21 1951

- NOTE:
1. This summary of significant reports has been prepared primarily for the internal use of the Office of Current Intelligence. It does not represent a complete coverage of all current reports in CIA or in the Office of Current Intelligence.
 2. Comments represent the preliminary views of the Office of Current Intelligence.
 3. Marginal letter indications are defined as follows:
 - "A" - items indicating Soviet-Communist intentions or capabilities
 - "B" - important regional developments not necessarily related to Soviet/Communist intentions or capabilities
 - "C" - other information indicating trends and potential developments

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DEPUTY FOREIGN MINISTERS' CONFERENCE

"A" USSR Continues to Reject Western Terms for a Foreign Ministers' Meeting. In a 20 June note regarding the Foreign Ministers' meeting the Soviet Union continued to insist on including an item on the North Atlantic Treaty and American military bases. The note added that the USSR had no objections to discussing its treaties of mutual assistance with China, Poland, Czechoslovakia, Hungary, Rumania, Bulgaria, Finland, and finally, with France and Britain. (U N.Y. Times, 21 June 51). COMMENT: Soviet insistence on inclusion of the NAT and US military bases item continues to indicate that the USSR does not want a Foreign Ministers' meeting. The Soviet demand, which has been consistently unacceptable to the West, appears to have been made to establish a suitable propaganda position for Soviet refusal to agree on an agenda. In this note the USSR has offered to discuss its treaties with the satellites, which are bilateral and directed specifically against a resurgent Germany or Japan. In return, the USSR wishes the Western Powers to agree to discuss the North Atlantic Treaty arrangements as a principal cause of tension in Europe. In order to alleviate the tension, the USSR implies that the Western Powers should suspend their defense program.

SECTION 1 (SOVIET)

"B" USSR. Air Transport Speeds Canal Projects. A Sakhalin Regional Service broadcast of 19 June quotes the Deputy Chief of the USSR Civil Air Fleet Pevetsky, as saying that cargo planes leave Moscow, Leningrad, Kiev and other industrial centers daily carrying freight for the various construction projects of the "great Stalin epoch." According to Pevetsky, ever since the start of these construction projects, civil air transport pilots have been competing for greater achievements in this field. Airport workers are described as paying special attention to planes carrying this type of freight which, according to the broadcast merits "first priority" handling. Specific items mentioned in this strategic category include: geological instruments, high precision equipment, food and mail, all of which are said to be shipped in particular to the main Turkmen Canal project. (R-FBIS, 20 June 51). COMMENT: Although the extent to which air transport is being used in supplying the canal projects is unknown, their strategic importance is indicated by the fact that such priority shipment is allotted to them.

"C" Panyushkin Suggests Peace in Korea by Cease Fire. Soviet Ambassador to the US, Panyushkin is reported to have stated that peace in Korea can be achieved simply by having the US and the Allied Powers cease fighting. (U-FBIS, 18 June 51). COMMENT: Although Panyushkin's remarks were informal, current Moscow propaganda also continues to omit references to the Chinese Communist terms for settlement in Korea concerning Formosa and seating in the UN.

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"B" 25X1C EASTERN EUROPE. ALBANIA. Resistance Plans Reportedly Known to Communists in 1950. [redacted] report that at a meeting of the Albanian security police officers in February 1950, Minister of Interior Mehmet Shehu revealed intimate knowledge of emigre efforts to subvert the Hoxha regime. Shehu expressed his conviction that the failure to exploit the chaotic situation in Albania after the execution of ex-Interior Minister Koci Xoxe was due to disunity among the refugee groups, even in the Committee for Free Albania. Shehu emphasized the need to exploit the US Albanian colony in spite of its plutocratic ways. [redacted]

25X1A [redacted] COMMENT: The reorganization of the Albanian security system after Shehu became Minister of Interior in 1949 resulted in a vigorous purge of suspected elements in the regime and the establishment of Special Pursuit Brigades with the function of ferreting out subversive elements. Propaganda emanating from Albania has indicated for some time that the Albanian Communists had penetrated the exile organizations.

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"B" HUNGARY. Government Demands Resumption of Trade Negotiations for Sanders Release. In a recent conversation with the British Minister in Budapest, Matyas Rakosi, Secretary General of the Hungarian Communist Party, implied that adverse publicity at the time of Vogeler's release had stiffened the Hungarian Government's attitude toward the release of Sanders, a British citizen who had been imprisoned along with Vogeler. To the British Minister's suggestion that Sanders be freed after which trade negotiations could be resumed, Rakosi countered that the release of Sanders be discussed concurrently with the resumption of trade negotiations. (S Budapest 607, 19 June 1951). COMMENT: The British Government suspended trade negotiations with Hungary in retaliation for the imprisonment of Sanders. Hungarian trade with the UK amounted to \$17,335,000 in imports and \$26,320,000 in exports in 1949. After the suspension of trade negotiations, Hungarian imports from the UK fell to \$5,500,000 and exports to \$1,000,000 in 1950. The Hungarian determination to expand its trade with non-orbit areas has been revealed in recent reports.

"C" POLAND. First State Loan To Be Floated. By decree of the Polish Council of Ministers a "National Loan for the Development of Poland's Strength totaling 1.2 billion Zlotys" has been floated. The loan is to be issued in bearer bonds including single bonds of one hundred zlotys, collective bonds of 200 and 500 zlotys, and Party bonds of 100, 250 and 500 zlotys. The loan which is to be floated for a 20 year period from 1 October 1951 will be subscribed exclusively from population, and not from firms, institutions or other juridical persons. (R-FBIS, 19 June 51; C Warsaw 975, 20 June 51). COMMENT: The purposes of this loan seem to be the creating of greater popular interest and sense of participation in Poland's industrialization program, and the siphoning off of excess purchasing power. At the official exchange rate of four zlotys to the dollar, the loan would total \$300,000,000. In comparison the free market rate is 15-60 zlotys per dollar.

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"C" YUGOSLAVIA. Trade Unions Directed to Improve Labor's Standard of Living. The Central Committee of Yugoslav Trade Unions has made it mandatory for local trade union leaders to concern themselves primarily with raising the workers' standard of living. Trade Union organizations are directed to participate in the drafting of legislation, regulations, and measures affecting labor and living conditions, and to insure that workers rights, guaranteed by law, are enforced. The right to strike, however, is not granted. (U N.Y. Times, 20 June 51). COMMENT: Heretofore, as in other Communist states, the Yugoslav trade unions have emphasized greater production as their primary goal. The encouragement of local trade unions to help improve the workers' standard of living is evidence of the regime's recognition that satisfied workers are the most productive. The decision, which is in line with other recent governmental innovations and reforms, is apparently designed to improve morale and increase production by encouraging local initiative. The decision does not represent any relaxation of control over the workers, however, since the local trade unions are closely controlled by the Communist Party.

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SECTION 2 (EASTERN)

"B" IRAN. UK Forces in Near East Alerted As Mob Action Takes Place in Iran.
The US Air Attache in Baghdad has information indicating that on 20 June Royal Air Force units in Iraq, Jordan, Suez, and Cyprus had been placed on a one hour alert notice, and that Iranians were attempting to take the oil refinery by force, and were being resisted by the British.

25X1A [REDACTED] COMMENT: Press reports state that UK forces in the Near East are "standing by," but there has been no confirmation of the alleged attempt by the Iranians to take over the refineries by force. There has, however, been mob action in Tehran which included the forcible entry of an Anglo-Iranian Oil Company (AIOC) office and the destruction of a neon sign. Both the UK and Iran have been consistent in rejecting the use of force as a method of settling the dispute; however, in anticipation of trouble, the UK has publicly and repeatedly stated that it would protect the lives of UK subjects if these were endangered.

"A" BURMA. Burmese Official Expresses Views on Communist Threat to Burma.
25X1C [REDACTED]

25X1C [REDACTED] recently told an officer of the US Embassy in Rangoon that the Chinese Communists would not invade Burma in the near future, because of their military commitments in Korea and Yunnan. For the same reasons, he also doubts that the Chinese are willing to give materiel or manpower assistance to the Burma Communist Party (BCP) although admitting that several BCP officers had recently received training in China and that the Party was attempting to open a corridor to China through the Shan States in order to obtain such aid. He indicated that the Chinese Communists will undoubtedly exploit Naw Seng, the Kachin rebel leader, to win the support of Kachins in Burma. The source also stated that, during a visit to India in April, the Indian Army Commander in Chief, Cariappa, emphasized the close ties between India and Burma and promised Indian Army aid in case of a Chinese Communist invasion despite any opposition from Indian politicians. The Embassy comments that source fails to appreciate the extent of Chinese manpower or their large stocks of small arms and ammunition, and indicates its belief that Chinese aid to the BCP is already underway. (S Rangoon 932, 20 June 51). COMMENT: The

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While his factual information is, in all probability, correct, his minimization of the Chinese Communist threat to Burma is typical of the wishful thinking which afflicts most high Burmese officials. It is doubtful that the Government of India would permit the dispatch of Indian troops to Burma in the event of a Chinese invasion, despite Cariappa's assurances.

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^{80C} CHINA. Two Defense Lines Under Construction in Fukien. Two defense lines roughly paralleling the Fukien coast are reportedly under construction by a Soviet-supervised force of 10,000 laborers aided by engineering troops of the 3rd Field Army. According to the Nationalist Ministry of National Defense, the outer line will run south through Chang Lo (10 miles southeast of Foochow) to Tungan (10 miles north of Amoy), and the inner line from Pingnan (70 miles north of Foochow) south to Tuhua (35 miles north of Tungan). (S ALUSNA Taipei, 20 June 51). COMMENT: A great variety of reports concerning defensive measures in the coastal areas opposite Taiwan have been received over the past several months. Construction of fixed defenses, evacuation of non-essential personnel, stockpiling of supplies, and extensive military maneuvers have all been reported as taking place in these areas.

^{80B} Reported Establishment of Sino-Soviet Political Liaison Offices in China. An agreement to establish political liaison offices in Manchuria, North, Central, South and East China, with Soviets as directors of each office, was reportedly concluded by representatives of the Chinese Communist and Soviet governments during 1951. The functions of the offices include the following: (1) mobilization of Chinese manpower and material, (2) establishment of adequate military defenses, (3) direction of military and political activities of Chinese Communists, (4) increase of the production of war material, and (5) supervision of the purge program. [REDACTED]

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[REDACTED]. COMMENT: While the establishment of Sino-Soviet political liaison offices with largely advisory functions is considered probable, it is not believed that the Chinese Communists have delegated to these Soviet-directed offices anything approximating the amount of power described in the above report.

^{80A} USSR and China Sign New Trade Agreements. A Tass dispatch from Moscow announces the signing on 15 June of two trade protocols between the USSR and China which provide for a considerable increase in trade between the two countries. No information is given regarding the commodities or amounts involved. (U Tass Moscow, 21 June 51). COMMENT: These protocols represent a further effort by the Communists to counter the effects of Western trade restrictions by stepping-up intra-orbit trade. According to Chinese Communist statements, trade with the USSR, which has traditionally been comparatively unimportant, came to about one-fourth of China's total foreign trade in 1950. The increased commerce resulting from the newly signed trade protocols is expected to make this proportion considerably higher in 1951. Additional factors raising the Soviet share of China's foreign commerce are: (1) the virtual cessation of US trade with China since the US embargo of last December and (2) the embargo on selected items e.g. rubber and petroleum, imposed by Western countries honoring the UN embargo resolution. The orientation of China's trade toward the Soviet Orbit and away from the West is also being promoted as a result of a series of trade agreements with the Eastern European satellites.

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"C" KOREA. Increased North Korean Efforts to Replace Battle Losses.
The Far East Command reports that the North Koreans are increasing their efforts to maintain front-line troop strength. Current replacements are believed drawn from rear area units (the IV, VII and VIII Corps) now believed on coastal security missions, and from a pool of 50,000 recruits in training in Northeast Korea and along the Korea-Manchuria border. Fifteen to twenty thousand of the latter troops recently have been sent to battle-line units. (S DA-FECOM Telecon 4850, 21 June 51).

"C" ROK Chief of Staff Reported Interested in US Service School Assignment. The US Embassy, Pusan, in commenting on rumors of the resignation of General Chung Il-kwan, Chief ROK General Staff, considers the reports to be a premature leak and a garbling of the fact that the General had requested permission to attend the Command and General Staff School, at Leavenworth. The story may have been leaked for political reasons. Chung's motivation is unclear although it is known that he feels he needs a "change" and has long been interested in assignment to a US service school. There is no information to confirm that he is not acceptable to the new Minister of Defense who has stated vigorously that he is selecting a temporary appointee and "in no way naming a new chief of Staff." (C Pusan 1070, 20 June 51). COMMENT: It would appear unusual for an officer of General Chung's position and capabilities to seek a service school assignment at this time if resignation were not a distinct possibility, particularly in view of recent scandals affecting high ROK Government circles.

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SECTION 3 (WESTERN)

"B" GERMANY. Soviet Officials Indicate Desire to Reach Settlement of Berlin Trade Situation. Allied officials feel, after talks with S.A. Dengin, chief Soviet representative in Berlin, that the recent Soviet interference with the west Berlin export trade represented a pressure tactic to obtain a new interzonal trade agreement between East and West Germany, even at the risk of serious retaliatory measures. In his talks with the Deputy French Commandant, Dengin tried to ignore or play down the Soviet restrictions, and agreed to negotiations on the restrictions between Allied and Soviet experts. The Allied commandants now desire, in view of the strong Allied position, to avoid any sign of over-eagerness in these negotiations or in permitting resumption of trade talks. They also want to be ready to implement countermeasures as originally planned, if the situation fails to develop favorably. (S Berlin 1514 and 1519, 19 June 51)

COMMENT: The Soviet restrictions on trade had resulted in the stoppage of an estimated 75% of west Berlin's vital exports to the Federal Republic, and might, if continued, have necessitated a limited Allied air-lift. Soviet interest in concluding a trade agreement on favorable terms indicates the weakness of the east German economy and the continued need for strategic imports from the West. The USSR's harassing measures in Berlin should be viewed as a recurring attempt to exert maximum pressure on the Allies without provoking serious retaliation. 25X6

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"B" ITALY. Replacement of Treasury Minister to Expedite Defense Program. Treasury Minister Pella's resignation appears imminent as a result of his opposition to pay increases for civil servants. His probable successor is Liberal Deputy Corbino, Minister of the Treasury from December 1945 to September 1946. This shift would contribute to progress on the defense program without endangering other objectives of monetary stability and the development of the depressed sectors of the economy. Meanwhile, the Govern-

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ment has publicly denied Pella's resignation. (S Rome 5799, 20 June 51; R FBIS, 20 June 51) COMMENT: The removal of Pella would make the Government freer to arrive at an agreement with the seriously discontented civil servants (who have scheduled another strike for 22 June) and thus remove a disturbing element contributing toward labor instability. (See OCI Daily Digest, 18 May 51.) Deputy Corbino is noted for his contribution to the stabilization of the lira, but has objected to Pella's excessive caution in this regard and could be expected to pursue a more generally flexible financial policy.

"B" PORTUGAL. Defense Minister's Hand in Government to be Strengthened. The government party, Uniao Nacional, has publicly announced the nomination of General Francisco Craveiro Lopes as its candidate in the presidential elections officially scheduled to be held on 22 July. US Embassy Lisbon comments that Premier Salazar clearly counts on widespread satisfaction with the selection of a loyal military supporter of the regime as a guarantee of continuing stability. Craveiro Lopes' personal dependence on Defense Minister Santos Costa was underscored by the latter's answer to an Embassy official's remark: "About Craveiro Lopes for president, it looks as if you invented him." The Portuguese minister is reported to have laughingly replied: "As a matter of fact, I did." (C Lisbon 557, 20 June 51) COMMENT: The choice of Craveiro Lopes points up the spectacular rise of Santos Costa in the government hierarchy, as a man whom Salazar trusts implicitly and to whom he is evidently delegating an increasing number of the burdens of state. While Salazar obviously is anxious to retain the good will of the Army, the nomination of a candidate picked by the Administration, also reveals the Army's readiness to meet half-way the civilian element in the government's party.

"C" UNITED KINGDOM. UK Approaches US on Joining Autumn Meeting of Colombo Plan Committee. On 6 June the UK Embassy Washington indicated to US officials the UK intention to hold an "official level" meeting of the Consultative Committee on Economic Aid to South and Southeast Asia in September or October, and expressed interest in possible US participation. The purpose of the meeting would be to revise details of the January 1951 Colombo Plan report, to discuss establishing a small permanent secretariat and to lay plans for a ministerial-level meeting toward the end of the year. (C Outgoing State Circ 808, 18 June 51) COMMENT: The UK continues the effort to develop regional South and Southeast Asian economic cooperation as a way of strengthening the area to resist Communism, and as the chief means presently available to the UK for associating India more closely with the objectives of Western policy in South Asia. The UK is conducting a broad public relations program in India and throughout the area and in some cases has been applying more direct pressure to obtain participation, notably in Thailand where the UK is reported to have tentatively offered a sizeable Bank of England loan for road construction as a quid pro quo. The approach to the US is consistent with the UK desire to persuade the US to provide

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an eventual \$2.24 billions of the external assistance required under the \$5.04 billions Plan. The Colombo Plan officially comes into operation next month, but the Technical Cooperation Board established in Colombo under the Plan has been receiving technical assistance requests from India, Pakistan, and Ceylon since January of this year, and has been using the £8 millions fund contributed by Commonwealth members in 1950 to meet such requests.

"C" UNION OF SOUTH AFRICA. Opposition Focuses on Government Anti-Communist Bill as Threat to Civil Liberties. A government bill which tightens up last year's Suppression of Communism Act by giving the Minister of Justice arbitrary power to take action against any suspect organization or individual without subsequent judicial review, has passed the House of Assembly. The United Party Opposition, which is as anxious as the Government to suppress Communist activity in South Africa, has opposed the measure bitterly (though without success), because it fears such power is inherently dangerous to the basic liberties of the citizens. The Minister of Justice has disclaimed any intent to use the power granted under the bill against other than Communist organizations, but has simultaneously branded the Civil Rights League of Johannesburg, an organization of prominent citizens which opposes the measure, as "dominated by Communists". (U Christian Science Monitor, 16 June 51) COMMENT: Although this year's bill represents no change of Government policy, and is intended merely to close some loopholes in last year's Suppression of Communism Act, it has met with far more vigorous opposition from the United Party. This fact illustrates the new determination on the part of the United Party to make a stand on the civil rights issue, which they will doubtless include in their party platform at the next general election. Their fears concerning this bill, which are shared by labor unions and non-European political organizations, have some basis in fact, since the Suppression of Communism Act includes in its definition of Communism any doctrine which is considered to encourage hostile feelings between European and non-European races. Thus any person who did not subscribe to the Government's controversial race policies might legally be defined as a Communist. The mounting opposition from United Party members is to be attributed largely to their gradual realization of what denial of civil rights might mean for their own position.

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"C" NICARAGUA. Plot to Assassinate President Somoza. [REDACTED] reports that a plot against President Anastasio Somoza is developing among officers and high officials of the Nicaraguan National Guard. The Plot "seems to be motivated by hatred for the entire Somoza family, especially Colonel Anastasio Somoza Jr." The plotters are reputedly seriously considering assassination, and (although plans are not yet complete) "it is probable that Somoza would be replaced by a military junta". Action is reputedly planned before August, 1951. [REDACTED] reports considerable dissatisfaction among National Guard officers, mainly because of low salaries, and further indicates that Somoza has promised them a twenty per cent in-

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crease. [REDACTED] COMMENT: President Somoza's effective internal intelligence organization has permitted him to frustrate plots against him before the plotters are prepared to act. In April, for example, he reputedly called in a group of officers, informed them he was aware of their plotting, and indicated that he would treat their disaffection with "tolerance". It is possible that Somoza, whose administration has recently been favored with loans from the World Bank, will be able to deal adequately with the dissatisfaction known to exist within the National Guard. However, it is possible that individuals dissatisfied with Somoza's arbitrary political and economic policies might, with extreme care, be able to plan and to carry out his assassination.

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OFFICE OF CURRENT INTELLIGENCE
DAILY DIGEST OF SIGNIFICANT S/S CABLES21 June 1951

SECTION 2 (EASTERN)

- "B" IRAN. Tribal Leaders Offer Support to UK in Event of Disturbances. The US Embassy in Tehran reports that two senior members of the Qashqai tribe called secretly on the UK Ambassador on 19 June. They expressed concern over the trend of events in Iran, and said they foresaw disturbances and a possible breakdown of authority, especially in the southern oil area. They commented that they saw no promise of early improvement in the situation and added that only the USSR profits from the existing weakness and confusion in Iran. Accordingly, they stated that although they have never been particularly friendly to the UK, they wanted the UK Ambassador to know that the British could count on the Qashqais in the event of serious disturbances. (S, S/S Tehran 3351, 20 Jun 51). COMMENT: The Qashqais, one of the major tribal groups in Iran, are located in the mountainous area to the east of Abadan, where the oil refinery is located. The Iranian Government has been concerned over rumors that the UK was agitating among the tribes, with the result that several tribal leaders felt it necessary to reaffirm their loyalty to the Shah. Although the UK has disavowed any such machinations, it is generally considered that in the event of a direct conflict between the UK and Iran, the UK would obtain support from some of the tribes. This is, however, the first firm indication that such cooperation would be forthcoming.
- "C" CHINA. Chinese Nationalists Continue to Reject US-UK Japanese Peace Treaty Proposals. Chinese Nationalist Foreign Minister YEH has informed the US Charge in Taipei that "the Chinese Government will only accept simultaneous participation with the other Allies in a multilateral treaty or a bilateral treaty to be signed severally by all Allies concerned." YEH's statement was prompted by a Washington report crediting him with committing the Chinese Nationalists to the US-UK decision regarding Chinese accession to the Japanese Peace Treaty. (S, S/S Taipei 1735, 1736, 18 Jun 51). COMMENT: Nationalist sensibilities notwithstanding, current indications suggest that the US and UK intend to proceed without a Chinese co-signature, and that any bilateral agreement will be left to the discretion of a "sovereign and independent" Japan itself.

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SECTION 3 (WESTERN)

"B" GERMANY. French Favor European Army Concept for German Force. France is expected to continue its insistence that any German defense contribution be organized within the framework of a European Army, rather than directly under NATO. US Ambassador Bruce in Paris, therefore, anticipates that France will not accept the report of the German-Allied commission that has been meeting since January at Petersberg to consider a German force for NATO, although an effort will be made to reconcile this report with a forthcoming one on the European Army talks currently being held in Paris. Bruce believes that the European Army idea can be carried through so that a militarily effective force will result, and both the French secretary of the conference and the chief of the German delegation have told US officials they feel that the European Army constitutes the best and perhaps the only means of obtaining a modification of the French position on such matters as the size of German units, a German general staff, and German defense ministry. One disputed point in Paris is the French demand that the European Army commissioner have control of the first phase of German recruitment, a control which the Germans object to as discriminatory. The Germans are anxious to keep the Petersberg talks going, in order to keep alive the NATO alternative to the European Army. The German Chancellery, therefore, has issued a statement taking exception to French claims that agreement on all important question has been reached in regard to the European Army. (C, S/S Bonn 955, 14 Jun 51; S, Paris 7836, 17 Jun 51; S, S/S Paris 7856, 18 Jun 51; S, Paris 7875, 19 Jun 51). COMMENT: This is the first indication from a US source that the European Army is a workable idea. The original French proposal of a European Army was not viewed favorably by the other nations concerned, but, in the light of French insistence, the conference on the Army has proceeded. The French are still going to be extremely reluctant to modify their position on a German general staff and defense ministry.

"B" UNITED KINGDOM. US-UK Difference Foreseen Over Possible Next Move in Iran. US Embassy London emphasizes that the Anglo-Iranian Oil Company (AIOC) still has no definite plans to close down the refinery at Abadan and impose a boycott on Iranian oil following the breakdown of negotiations. Nevertheless, the Embassy agrees with the Department of State that the UK Government should immediately be informed that the US would question the wisdom of such moves. The Embassy is disturbed by the Department's suggestion that the US tell the British that, if forced to choose between Iranian appropriation of AIOC installations and an internal revolution in Iran with the possible loss of that country to the West, the US would favor the former and hopes the UK would also. The Embassy, in reply, offers the following observations: (1) No British government could afford to risk the public criticism which would be levelled at it for yielding to Iranian pressure; (2) Owing partly to differing assessments of the situation to agree on a course of action in Iran. In particular, there would be a difference of opinion on the use of

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force in the case of a Communist coup, with the UK favoring military action to protect its interests. (3) Should the British yield to US pressure on the oil issue, US-UK relations would suffer from a British belief that they would have obtained more favorable results by following their own inclinations.

The Embassy suggests initiating talks with the UK to work out an interim arrangement whereby an international board of trustees would impartially administer the industry until such time as a final settlement could be arranged between the UK and Iran.

"B" UK Official Worried About Oil Shortage if Abadan Refinery Closes. The UK Under-Secretary, Ministry of Fuel and Power, currently in Tehran as a consultant to the Anglo-Iranian Oil Company delegation, is concerned over the oil supply problem in case the refinery at Abadan closes. As soon as arrangements can be completed he is coming to Washington for consultation with oil experts here. At the same time, it is reported that although plans have been made for the AIOC delegation to leave Tehran on 23 June, the group will not leave if there seems the slightest chance of resuming negotiations. (P, S/S Tehran 3359, 20 Jun 51). COMMENT: The Ministry of Fuel has already conferred with British oil companies about action necessary to offset the loss of Iranian oil and hoped to obtain permission of the US Petroleum Administration for Defense for British companies to consult with US oil companies in efforts to offset shortages, which would be acute in the initial stages of any stoppage of Iranian exports.

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